



Weekly Report

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The waiting's over: welcome SICAD II

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Two weeks after the new Foreign Currency Administration Regime and Foreign Exchange Crimes Act was published, a new foreign exchange agreement that will regulate the much awaited SICAD II was issued. The Central Bank and the Finance Ministry have completed the design of Foreign Exchange Agreement No. 27, which was published in *Gaceta Oficial* No. 40,368 on March 11.

This new agreement is a huge step, as, while there are still aspects that need to be clarified, the new market is taking shape, particularly with regard to uncertainty about whether there would be bands or a ceiling. And even though no mention of bands was made in the agreement, Vice President for the Economy Rafael Ramírez explained that bands will not be set. So, as we wrote in our Weekly Report No. 8: *Foreign Exchange Regime and Foreign Exchange Crimes Act: is the swap market back?*, we will find ourselves with a dirty float market, clearly an improvement on the status quo. He also clarified that this system will start to operate "when we



are sure that it's going to function optimally." At **Ecoanalítica** we estimate that it will start to operate next Monday, March 17.

What does Foreign Exchange Agreement No. 27 say?

First of all it ratifies, once again, that the sellers in SICAD II will be the Central Bank, PDVSA, companies in the private sector, private individuals, and any other public sector entity that has the authorization of the Ministry of Economy, Finance, and Public Sector Banks. However, it would seem that the first restriction is that, in order to conduct foreign currency purchase operations, both companies and private individuals will have to have a dollar bank account in Venezuela. Vice President for the Economy Rafael Ramírez insisted that the purpose of this requirement is to encourage the use of foreign currency accounts in the domestic financial system, but it will be allowed to do international transfer.

As for the types of transactions that can be conducted via this new mechanism, mention is made of *"buying and selling operations in local currency, foreign currency, and cash as well as in foreign currency denominated securities issued by the Republic, its decentralized entities or by any other entities, public or private, national or foreign, that are registered and are quoted on international markets"* (Article 8).

Furthermore, according to Article 3, private individuals or companies engaged in the export business may retain and administer up to 60.0% of the revenue they obtain in foreign currency to cover expenses incurred as a result of their export activities and to conduct selling operations via SICAD II, whereas the remainder (40.0%) must be sold to the Central Bank, which will acquire that foreign currency at the average exchange rate in SICAD II on that day. **Ecoanalítica** believes this is a positive aspect, because on one hand improves the cash flow of these companies in exchange, facilitating compliance with its commitments to its external suppliers, on the other hand encourages the production for export of domestic firms .

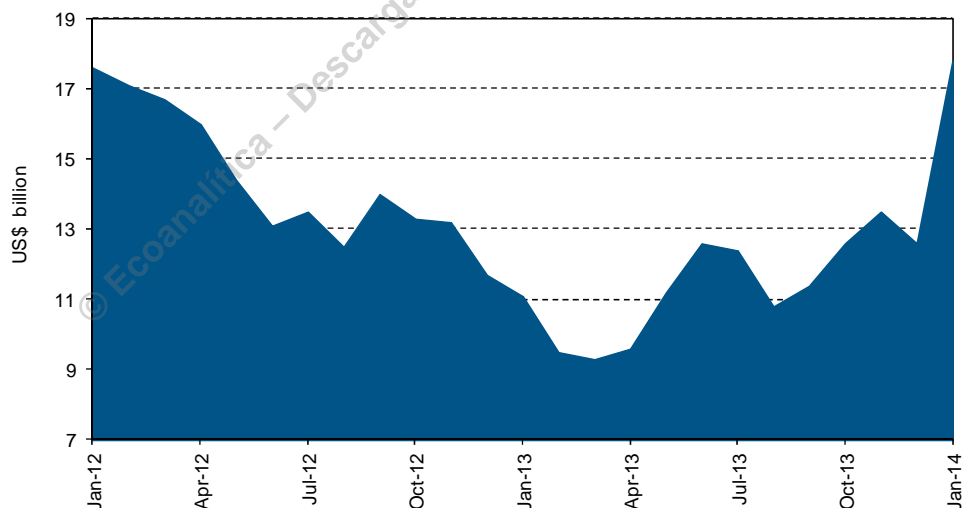
One change with regard to the swap market eliminated in 2010 is that financial institutions that act as operators will not be able to submit bids for purchases on their own account, nor may they submit bids to purchase for the account of other financial institutions that act as operators. Meanwhile we should wait for the manual or instructions that should include the details and requirements of the system. Information that **Ecoanalítica** gather indicates that the banks already has the keys and formats for conducting operations through Sicad.



It is expected that this system includes the services of airlines ticketing oxygenating, the limited supply. Also the issue of repatriation of dividends will be included, for multinationals is a better option, where Cadivi has not been flexible in its settlement, in 2013 only dammed in dividends companies balance amounted to US\$ 7.4 billion.

Moreover, it is worth noting, or rather clarifying, that, from the information that **Ecoanalítica** has been able to gather, it seems that disbursements by SICAD have dropped considerably since November; not only that, so far this year, only four SICAD auctions have been held, which could indicate that the foreign currency that has not been granted to the private sector has been building up in recent months. Similarly, state resources in parallel dollar funds posted an increase of 60.4% in January, year-on-year, to US\$17.8 billion. In short, probably the government has been increasing its stock of dollars for this new market.

Extrabudgetary Resources in Currencies



Source: Ecoanalítica

Dirty float

The new law will permit the emergence of a slightly more transparent market, in which PDVSA will be authorized to offer foreign currency at higher rate than VEB 6.3/US\$. This exchange rate will be a dirty float, as it is expected that the Central Bank will intervene by making placements. On this matter, Article 18 establishes that the Central Bank may intervene and make placements whenever it deems it convenient in order to avoid "or counteract the effect of erratic fluctuations in macroeconomic conditions. This is hardly surprising, as central banks usually intervene in the foreign



exchange market to maintain the value of the local currency. The key here is what the economic cabinet will deem “erratic fluctuation” to be. At **Ecoanalítica** we estimate that the average exchange rate in this new market will be VEB 45.0/US\$. It is also established that the Central Bank will “publish (daily) the reference exchange rate corresponding to the weighted average exchange rate of operations conducted each day” (Article 1).

There is no denying that there is devaluation

As we have maintained in our previous reports, the fiscal situation and heavy overvaluation of the bolivar are forcing the Executive to make changes in the area of foreign exchange or, what comes to the same thing, to adjust the official exchange rate upwards.

Since there is a multiple exchange rate regime in Venezuela (Cencoex, SICAD I, SICAD II and the unofficial rate), this generates a weighted exchange rate for our economy, where we estimate that public sector imports in 2014 will account for 52.0% of the total and private sector imports the remaining 48.0%. Our base scenario is that the Cencoex exchange rate will stay at VEB 6.3/US\$ and the exchange rate from the SICAD I auctions will be VEB 15/US\$. Taking these numbers, the weighted exchange rate would be VEB 14.9/US\$, in other words, an increase of 82,7% compared to 2013.

Weighted exchange rate (X+M)	2011		2012		2013E		2014P	
Public	4.3	36.9%	4.3	39.9%	6.3	48.6%	6.3	52.0%
Sitme	5.3	9.3%	5.3	7.9%	5.3	0.7%		
Sicad					11.1	2.8%	15.0	4.8%
Sicad II							45.0	14.4%
Preferential Cadivi								
Cadivi	4.3	48.3%	4.3	46.7%	6.3	42.1%	6.3	24.0%
Not official	8.7	5.5%	10.6	5.5%	35.7	5.8%	60.0	4.8%
Exchange rate exports	4.3		4.3		6.3		6.3	
Weighted exchange rate (X+M)	4.42		4.47		7.03		9.57	
Weighted exchange rate (M)	4.63		4.73		8.14		14.87	
Devaluation	33.0%		2.1%		72.1%		82.7%	

Sources BCV, Cadivi and Ecoanalítica

If we see only the side of private imports the devaluation is greater. Taking into account the proportion of imports that were canceled with the dollar at VEB 6.3 / US\$, the SITME, the SICAD and the parallel market, in 2013 the weighted average exchange rate stood at VEB 9.9/US\$ and this year VEB increases until VEB 23.5/US\$, i.e., a variation of 138.4%. Again the private sector is the most affected, not only by the restrictions on access to foreign exchange but suffer a larger exchange rate adjustment.



Weighted Exchange Rate of Private Exports								
Exchange Rate	2011		2012		2013E		2014F	
Sitme	5.30	14.8%	5.30	13.1%	5.3	1.4%		
Sicad					11.1	5.5%	15.0	9.9%
Sicad II							45.0	30.0%
Cadivi	4.30	76.6%	4.30	77.7%	6.3	81.8%	6.3	50.1%
Not Official	8.66	8.6%	10.60	9.2%	35.7	11.3%	60.0	10.0%
Weighted exchange rate (Imports)	4.82		5.01		9.87		23.53	
Devaluation	55.6%		3.9%		97.0%		138.4%	

Sources: BCV, Cadivi and Ecoanalítica

In Venezuela, the exchange rate adjustment has clearly a fiscal justification. Moreover, it is the fiscal adjustment mechanism of everyday use, given our nature oil economy. In *Ecoanalítica* estimates that if implemented as presented in the new law, the impact of the measure will be approximately 7.5 of GDP, representing 49.7% of the fiscal deficit of the public sector estimates for 2014.

Consequently, SICAD II implies devaluation and, let's not mince words, it will be a sizeable one. That means we will have inflation in 2014. In a scenario where SICAD II functions more or less adequately, with a gradual reduction of monetary financing by the Central Bank, inflation this year will close at levels similar to 2013. As for shortages, the situation is more complicated. In Venezuela, industry's supply chain has been in crisis since half way through last year and today seems to have ground to a halt. Reviving it will take some months, which means that the shortages index is going to take much longer to come down than the possible drop in the parallel exchange rate.

Will they manage to "defeat" the black market?

Here we enter the terrain of suppositions and a key element will be how efficient the new scheme is. If the Executive is, in fact, going to sell a representative proportion of foreign currency on this new market, which we at *Ecoanalítica* estimate at between US\$10 billion and US\$13 billion, and with a fluctuating exchange rate, the parallel exchange rate could come down and its weight within the economy could also be reduced. However, if, on the contrary, the Executive starts to sell foreign currency but continues with a policy of expanding liquidity (in particular monetary financing of the fiscal deficit), the system will not be able to stabilize the foreign exchange market. So, SICAD II cannot be an isolated measure. It needs additional measures if the desired objectives are to be achieved. As long as the restrictions on operations in this market are minimal and additional measures are taken, then SICAD II could in fact become a marker for the black exchange rate, which would be weakened.



More is needed

SICAD II as it has been proposed thus far is a move in the right direction. But more is needed. The fact that the Executive has established a system of auctioning dollars (rather than a market) where the price is determined by supply and demand is a step forward. However, for this measure to be successful it must be accompanied by additional measures. The first is a revision of the monetary policy and the fiscal dominance that prevails in Venezuela. The scheme is condemned to failure if the Central Bank continues with the policy of monetary financing of nonfinancial state-owned companies, in particular PDVSA. The second is a thorough revision of the policy of price controls, in particular how the recently published Fair Profits Act fits into this “opening up” in foreign exchange; this is of crucial importance for reducing shortages. The third, if the government truly does want to attract foreign capital, is that property rights must be guaranteed. And the fourth is that this also involves a revision of the model and the oil policy, particularly with regard to subsidies (both domestic and external).

It is also indispensable that the price controls that today condemn producers and merchants to operate at a loss be lifted or at least be made less stringent, and also that the economy be deregulated and policies be implemented to stimulate production and productive investment in order to raise production capacity and diversity, develop new products, and make companies more efficient and productive.

Avoiding a collapse of the economy while handling the current delicate situation will depend to a large extent on implementing public policies that are very different from those that have been implemented in recent years. Failure to acknowledge the gravity of the ills that afflict us and to make the necessary change in direction to correct them would condemn us to yet another crisis that will have extremely adverse consequences.

It is clear that the current economic cabinet is not a monolithic unit. There are actors within the government who are not comfortable with the proposed scheme. Therefore, a latent risk is that SICAD II has short life. So a key recommendation is to use the mechanism as soon as possible.



Economic Tips

Another US\$5 billion from China: Vice President for the Economy Rafael Ramírez announced that, this month, Venezuela is to receive a fresh tranche of financing from China in the sum of US\$5 billion via the Joint Chinese-Venezuelan Fund. Ramírez explained that *“the entry of the third renewal of tranche A of the Joint Chinese-Venezuelan Fund was approved for this month, March; US\$5 billion more for our investments,”* which will allow Venezuela to *“maintain the pace of investment in large infrastructure projects.”*

We'll only pay what's “fair.” President Nicolás Maduro gave assurances that Venezuela will pay the debt it has with Panamanian businessmen that is “fair” without the participation of “corrupt middlemen,” after Venezuela broke off diplomatic and trade relations with Panama two weeks ago. Maduro said that working teams would be set up with Panamanian businessmen who “really” sent their products in order to decide on a mechanism for paying the debt.

Panama has been taken off the map. CENCOEX notified banks in Venezuela that applications for foreign currency for travel to Panama, including credit cards, cash and cash for minors, should be rejected. The measure was taken after President Nicolás Maduro gave the order to suspend *“all transactions in foreign currency with Panama immediately, (credit) cards and everything that has to be suspended.”* Applications approved and that were given active status on March 7 will also be annulled.

The purge has started. Vice President for the Economy Rafael Ramírez said that the foreign currency administration register is being “purged” and announced that 2,166 companies have been withdrawn for incurring in illegalities (equivalent to 23.9% of the companies registered). On the same matter, Vice President of the Republic Jorge Arreaza gave assurances that progress is being made in the investigations into illegalities committed via the defunct SITME and that companies implicated in such illegalities would be sanctioned to the fullest extent of the law.

An anti-profiteering card: President Nicolás Maduro announced that a digitized system is to be implemented in order to guarantee the supply of products and to put an end to profiteering. *“It's a system with an electronic bank card to guarantee that all the families' needs are met (...) that will make it possible to put an end to profiteers,”* assured Maduro, who said that the new system would also make it possible to assign



“special” costs to given items sold through the public network of stores and supermarkets.

Price revisions in the pipeline: President Nicolás Maduro acknowledged that there is a need to revise the prices of products that are regulated and also the prices of products that are not in order to take them to a “fair” value and gradually balance the economy. *“We’ll fix fair prices for all items sold in the country. Some will come down, others will stay the same and be balanced, and others will go up,”* he added, while reminding everyone that there are a number of prices that have not been revised for two and even three years.

Dollars without a performance bond: Vice President Jorge Arreaza announced that, following a meeting of the working teams with businessmen, 56 measures out of a total of 59 proposals made were approved, the most salient being the suspension of the requirement to submit a performance bond for the merchandise to be imported, the purpose of which was to guarantee that the dollars allocated would be used “correctly.” Arreaza said that the requirement of the performance bond would be suspended until an “ideal mechanism” had been devised that would allow businessmen to effectively provide the bond.

And faster procedures: Among the 56 measures approved by the working teams, Vice President Arreaza also mentioned extending the validity of the No Domestic Production Certificates from six months to two years and speeding up the issuing of sanitary permits for marketing products. Last of all, Arreaza gave assurances that meetings would be set up for discussions between SUNDDE and the different productive sectors *“for the purpose of adopting a price control policy that includes periodic and systematic revisions.”*

Interest rates. The lending rate for the fourth week of February was at 14.9%, down by 1.9 percentage points (pp) compared to the previous week. The time deposit rate was at 14.5%, stable in comparison to the previous week, while the passive rate, placed at 14.8%, up by 0,1pp compared to third week of February.

International reserves. International reserves increased by 0.9%, going from US\$21.71 billion during the fourth week of February to US\$21.91 billion during the first week of March. Compared to the same period last year, international reserves have decreased by 19.7%.

Central government expenditure. On Friday March 14th according to figures from the NTO primary spending was VEB 3.27 billion, which means a decrease of 65.3%; when it is compared to the same period last year. So far this year, the primary



expenditure accumulates VEB 125.39 billion 36.9% more than the same period last year

Monetary liquidity. Money liquidity (M2) increased 1.0% in the third week of February from the week prior, to settle at VEB 1.39 trillion. The M2 has increased 91.5% in relation with the same period last year.

Oil Tips

They're looking to put an end to smuggling. Minister for Homeland Affairs, Justice and Peace Miguel Rodríguez Torres announced the approval of a plan to fight fuel smuggling in Ureña Municipality, Táchira state. Rodríguez Torres explained that the Armed Force, the Mayoralty, the State Government, and the Communal Councils are to take part in the plan, which aims to reduce the consumption of fuel by vehicles from Colombia and by vehicles with Venezuelan registration that are found to be consuming irregular quantities of fuel.

Ramírez gets on with the job. President of PDVSA Rafael Ramírez announced the signing of a cooperation agreement with the Russian state-owned oil company Rosneft in the sum of US\$2 billion for financing investments in the Orinoco Oil Belt. This amount is in addition to the US\$1 billion loan that had already been negotiated with Rosneft. Ramírez also said that "*financing from other countries is also planned,*" although he did not specify which.

Petrowarao continues to receive aid. Oil and Mining Minister Rafael Ramírez negotiated financing of US\$420 million for increasing production at the joint venture Petrowarao with the president of the Anglo-French company Perenco, Jean Michel Jacoulot. This is the third financial cooperation agreement signed by PDVSA this year. According to Ramírez, between 2013 and 2014 PDVSA closed financial agreements to the tune of some US\$10.39 billion.

However ... The director of Orinoco Oil Belt New Business, Rubén Figueras, stated that in the past two years PDVSA has invested US\$3.2 billion in the Orinoco Oil Belt, which has not prevented the company from continuing to fail to meet its production goals. In mid-November last year, PDVSA announced that it had failed to meet 85.0% of its new production goals in the Orinoco Oil Belt.



Italy and Spain get involved. The executive president of the Italian oil company ENI, Paolo Scaroni, announced that both his company and the Spanish oil company Repsol are to start early offshore natural gas production in the Gulf of Venezuela at the end of the year. It is expected that this additional production will reduce Venezuela's reliance on other fuels for generating electricity. Scaroni also said that he expected ENI's production of crude in the Orinoco Oil Belt to reach 50,000 b/d.

Nonpayment by Ukraine could cause problems for Europe. The Russian oil company Gazprom warned that nonpayment by Ukraine could force the company to suspend gas shipments to that country, putting supplies to Europe at risk, as already happened back in 2009. According to Gazprom's president, Alexei Miller, Ukraine's gas debt comes to US\$1.89 billion.

Time and tide wait for no man. Three years ago, Venezuela and Colombia revised a project for building an oil pipeline that would go from Venezuela and cross Colombia to Asia for sending hydrocarbons from both countries. Colombia's vice minister for energy, Orlando Cabrales, said that he is to discuss the construction of the oil pipeline with PDVSA but that, in the meantime, he is holding talks with the Canadian company Enbridge with a view to executing the very same project.

A Mexican record: The Mexican oil company, Pemex, is to invest an historic US\$28 billion in 2014, 85.0% of which will be earmarked for crude petroleum and gas exploration and production. However, Pemex's managing director, Emilio Lozoya Austin, said that, in order to develop the maximum potential of Mexico's oil resources, investments of US\$60 billion a year are needed.

Mexico gets into step. According to Mexico's Finance Minister, Luis Videgaray, following the energy reform, Mexican crude production will increase by 40.0% this decade, going from 2.5 mb/d to 3.5 mb/d by 2020. Videgaray claimed that, thanks to the energy reform, Mexico will attract between US\$20 billion and US\$30 billion in investment, that nearly 200,000 new jobs will be created a year, and that the impact on the rest of the economy will be felt in the medium term.

Dominicans get their act together. The president of PDV Caribe and the secretary of the Bolivarian Alliance for the Peoples of Our America (ALBA), Bernardo Álvarez, ratified the Venezuelan Government's commitment to continuing with the Petrocaribe agreement. He also said that the Dominican Republic made advance payments of US\$120 million for oil shipments in 2014 and US\$30 million for shipments in 2015. Petrocaribe's Venezuelan Debt Swap Coordinator José Ramón Suriel, on the other hand, commented that the Venezuelan Government is currently studying the proposal for exporting chicken submitted by the Dominican Republic to cover its oil debt.



International oil baskets. At closing time on March 07th in the New York Stock Exchange, the price of the WTI was US\$102.8/bl, increasing by 0.4% when compared to the reported the previous week. The Brent decreased by 0.5% when compared to the previous week, to reach US\$109.1/bl.

Local oil basket price. The Venezuelan oil basket price closed at US\$97.9/bl on Friday March 07th, remained stable compared to the previous week. The annual average price of the Venezuelan oil basket is US\$96.7/bl.

Business Sector Tips

Airlines are to opt for SICAD. The Minister for Aquatic and Air Transport, Hebert García Plaza, announced that the domestic airlines will be able to take part in the next special SICAD auction, scheduled for March 17, so that they can buy foreign currency for equipment maintenance and to purchase spare parts. On the other hand, García hinted at a revision of the airlines' cost structures in the future to determine whether or not air fares need to be adjusted.

More financing for strategic sectors: At his last meeting with representatives of public sector and private banks, Industry Minister Wilmer Barrientos said that he expects 60.0% of loans granted to industry this year to be allocated to "strategic sectors," as in 2013, according to the ministry's calculations only 29.0% of loans went to those sectors. Every year, the banks have to allocate 10.0% of their total loans portfolio to manufacturing and 14.9% to agricultural production.

A great Carnival: Minister for Tourism Andrés Izarra announced that, this Carnival, there was a 10.8% increase in the number of holidaymakers and a 29.7% increase in current revenues. According to official figures, during Carnival week 3,882,156 tourists travelled between the states with the biggest volumes of tourists, among them Aragua, Carabobo, and Falcón, with the beaches being the destinations of preference. Izarra explained that this information was compiled from 25,000 interviews conducted at 180 information gathering points deployed throughout the country.

Housing Mission continues on track. During a ceremony for handing over homes, President Nicolás Maduro said that the Great Venezuela Housing Mission was



moving firmly ahead and that more than 551,000 homes have been built under this program. However, the pace at which housing is being built by the State has slowed down considerably this year. Official figures reveal that 3,354 houses have been built so far this year, a drop of 70.0% compared to the same period in 2013.

The communes put their grain of sand. The Minister for Communes, Reinaldo Iturriza, claimed that, of the 551,000 homes built in the last three years under the Great Venezuela Housing Mission, 80,000 were built by “communal brigade members.” Iturriza also said that the participation of the communes in this mission has permitted the members of the communes to increase their “human capital,” as most of them lacked any kind of training in construction before engaging in this endeavor.

The food isn’t getting through. In a press release, Minister for Commerce Dante Rivas stated that the barricades put up by “violent opposition groups” have affected the distribution of the main food items by at least 60.0%, particularly in Aragua, Carabobo, Táchira, and Mérida. The situation is expected to return to normal in the next few days, as the effects of the 16 days of “violence” have been such that several establishments have opted for closing their doors permanently, added Rivas.

VEB 1.49 billion approved for *Barrio Adentro*: President Nicolás Maduro approved VEB 1.49 billion for recovering several diagnostic and rehabilitation centers (CDIs and SRIs) that are part of the *Barrio Adentro* mission. It is expected that several hospital centers will be built, medical equipment will be replaced, and a variety of minor works will be carried out in the health sector. In the same statement, the President announced the creation of the State Medical Equipment Corporation, which will be in charge of repairing equipment using Venezuelan engineers.

Transporting in bulk will now be more expensive. From March 31, freight charges for transporting bulk materials will go up by 50.0%, according to an announcement by Fetragransipc, which justified the measure citing the continuously increasing shortages of inputs that are needed for transportation, the devaluation of the bolivar, and the increase in inflation. The Puerto Cabello business association explained that it is necessary for freight charges to be reviewed and increased every three months.



World Economy Tips

Obama is no longer worried about the deficit. Yesterday, US President Barack Obama submitted a fiscal program to the US Congress that includes a US\$3.9 trillion budget bill for 2014, an increase in public spending, taxes for the most wealthy, and fiscal benefits for low-income families, the purpose of which is “*the creation of well-paid jobs.*” In the opinion of the Speaker of the House of Representatives, John Boehner, Obama’s bill is a sign that the White House “*has given up on any efforts to address our serious fiscal challenges.*”

Optimistic predictions? The budget bill submitted by President Obama forecasts growth in Gross Domestic Product (GDP) of 3.1% in 2014 and 3.4% in 2015 and a reduction in unemployment to 6.9% for 2014 and 6.4% for 2015. The bill also forecasts a fiscal deficit of US\$649 billion (equivalent to 3.7% of GDP) in 2014 and US\$564 billion (equivalent to 3.1%) in 2015.

February, better than expected: According to the US Department of Labor, a total of 175,000 jobs were created in the United States in February, beating consensus expectations by economists, who forecast a net creation of 149,000 jobs. Despite the creation of a larger number of jobs, unemployment went up slightly to 6.7% from 6.6%, suggesting a higher level of activity.

China will grow by 7.5% in 2014. China’s Prime Minister Li Keqiang gave assurances that the government of the world’s second largest economy will maintain its growth goal at 7.5% for 2014 and said that its policy will focus on reforms to its foreign exchange system and on achieving a “new” economic balance. Li also said that there will be a 13.0% increase in monetary liquidity this year, which would give enough room to ensure that growth will stay within a comfortable range while the reforms are being implemented. According to him, this will not affect China’s meeting its inflation goal of 3.5%.

Slowly but surely: The economy of the euro zone (with a size of 9.5 trillion euros) grew by 0.5% in 4Q2013, supported by increases of 2.6% (yoy) in exports and 0.3% in private consumption. Geographically, growth in the euro zone was driven by the 1.4% (yoy) growth in Germany’s GDP and the growth of 0.8% (yoy) in France’s GDP, the first and second economies in the region, respectively. The growth figures prompted the European Central Bank (ECB) to raise its growth forecast to 1.2% for 2014 from its previous estimate of 1.1%.



No need for an additional boost: The European Central Bank (ECB) maintained its reference interest rate unchanged, despite the fact that some consider the recovery to be a slight one and projections of low inflation that would facilitate the implementation of an expansive monetary policy. The ECB maintained its reference rate at 0.25% and its deposit facility interest rate at 0.0%. ECB President Mario Draghi maintained that the latest economic data suggest that the recovery of the region is under way and that it doesn't need an additional boost for now.

EUR 11 billion for Ukraine: The president of the European Commission, José Manuel Barroso, gave assurances that the European Union is prepared to provide Ukraine with 11 billion euros in financial support over the next two years in the form of a series of credits and subsidies. The European Union's aid would be made available in coordination with the European Bank for Reconstruction and Development and the European Investment Bank and would be conditional on Ukraine signing an agreement with the International Monetary Fund (IMF).

The aid will not be only monetary. In addition to financial aid, the European Union would move up the "trade benefits" that Ukraine would have received had it signed an association agreement with the EU in November last year –which President Viktor Yanukovich discarded at the last moment in favor of forging closer economic ties with Russia- and work towards providing Ukraine with energy by means of "reverse gas flows" from the European Union.

Political Tips

Is the OAS washing its hands? The Permanent Council of the Organization of American States (OAS) held an extraordinary session to debate the current situation in Venezuela and discarded the possibility of calling the continent's foreign ministers to consultation, according to diplomatic sources. A group of eight countries, among them Chile, Colombia, Mexico, and Peru, is promoting monitoring the situation in Venezuela by means of periodic reports and seeing whether it would be necessary to take measures later.

OAS urges continuing the dialog. The OAS called for continuing the "*national dialog*" in Venezuela, which apparently disappointed the United States, Panama, and Canada, who interpreted the measure as "a validation" of the Nicolás Maduro administration's response to the present crisis in Venezuela. The OAS also gave its



“acknowledgement, full backing and encouragement to the initiatives and efforts of the democratically elected Government of Venezuela and of all political, economic and social sectors to continue making progress in the process of national dialog towards political and social reconciliation.”

Jaua counts his chickens. Venezuela’s Foreign Minister, Elías Jaua, interpreted the fact that the OAS has not sent a mission to Venezuela as a victory. At the same time, Jaua claimed that any international campaign against Venezuela would fail and explained that, *“if there is anything positive to come out of this situation in Venezuela, it’s that it has shown the Latin American region’s firm defense of the values to which we have committed ourselves in UNASUR, in the Community of Latin American States: peace, democracy, the defense of sovereignty.”*

Didn’t go. President Nicolas Maduro did not attend the inauguration of President-elect Michelle Bachelet, reviewers of the president announced that the planned meeting between the presidents was suspended by the lack of response from Venezuela, but the chancellor republic, Elias Jaua appeared at official functions on behalf of the president.

“Police abuse”: Ombudsperson Gabriela Ramírez submitted a report in which she clarified that her office has been notified of 21 deaths during the protests that have been taking place in Venezuela since February, four of which are attributed to alleged “irregular action” taken by members of the State security forces and are currently being investigated.

Repression doesn’t put down social unrest. Miranda State Governor Henrique Capriles said that the government *“is adding more fuel to the fire. Social unrest isn’t going to stop with repression.”* *“Today we’ve seen a clear demonstration of this government’s weakness. Our struggle isn’t against the Chavista people but against that small group who are to blame for the shortages. Today we’re seeing how the government is afraid of demonstrations against shortages,”* he added.

Fire that flares up, fire you put out. President Nicolás Maduro accused the inhabitants of Los Ruices (a residential area on the east side of Caracas) of the death of a National Guardsman and a motorcycle taxi driver last week during a confrontation between security forces, local residents and members of the so-called “collectives.” The President had warned that people who took part in the *“guarimbas”* (barricades put up to obstruct streets) not to *“deviate from the path of peace,”* while telling his followers, *“fire that flares up, fire you put out.”*

Maduro snuffs out his own fire. President Nicolás Maduro explained that his words *“fire that flares up, fire you put out”* were twisted, as the message means *“take care*



of peace so as not to allow them to set the country on fire.” Maduro clarified that the message was not aimed at the “*violent sectors,*” saying “*We never stop working, we attack the violence with one hand and we put it out with the other.*”

Opposition mayors adopt a position. Ramón Muchacho (Chacao), Carlos Ocariz (Sucre), Gerardo Blyde (Baruta), and David Smolansky (El Hatillo) made known their position with regard to the incidents that have occurred in their municipalities since February 12 as a result of the protests. The mayors stated that they were against the repressive action taken by the state security forces against demonstrators, the government’s support of irregular groups, and the government’s attempts to intervene in a number of mayoralties in the hands of the opposition.

The “coup d’état” has been defeated. President Nicolás Maduro announced that an alleged coup d’état that was in the making had been neutralized by a series of actions taken by the public security agencies. “*We’ve confronted the coup d’état, we’ve neutralized it, and the terrorist coup has been defeated, although there are some small fires out there, but it’s already been defeated. We’ve responded to the coup with more work. If they thought that they were going to stop us, they’re crazy,*” added Maduro.

The repression continues. The Bolivarian National Police Force (PNB) prevented the march called by the Democratic Unity Alliance to protest against shortages, even though Libertador Mayorality had been notified of the march more than a week previously when Deputy Stalin González took a letter signed by himself and Deputies Dinorah Figuera and Richard Blanco. Petro Arismendi, a PNB officer and the person in charge of mediating with demonstrators, explained when the march was already under way that it could not take place because a mega Mercal market was being held on the march’s scheduled route.



ECONOMIC OVERVIEW

